

Guar Seed – Short Term Report

The guar seed futures were on a bearish tone since beginning of May month due to selling pressure in the futures market after report of normal monsoon. In its first monsoon forecast report, the Indian Meteorological Department has projected normal monsoon for 2010-11 and rainfall was projected 98% of Long Period Average with a model error of $\pm 5\%$. Since guar seed is largely grown in rain-fed areas of Rajasthan any news related to monsoon will have a major impact on the market. Traders and investors sold futures anticipating that normal monsoon would result into higher acreage under the cultivation. Sharp decline in price of churi and korma—by-products of guar seed—also had a bearish impact on the market. However, during third week of May prices tried to show some recovery on short covering coupled with fresh buying supported by supply shortage of seed and gum. But, market could not sustain its positive trend as the monsoon set over India on 31st May 2010—a day prior to normal date of onset. The active July contract guar seed futures declined from Rs.2469 per quintal (beginning of May) to Rs.2191 per quintal (present).

Outlook

The guar seed futures are expected to trade on a negative note in the near-term

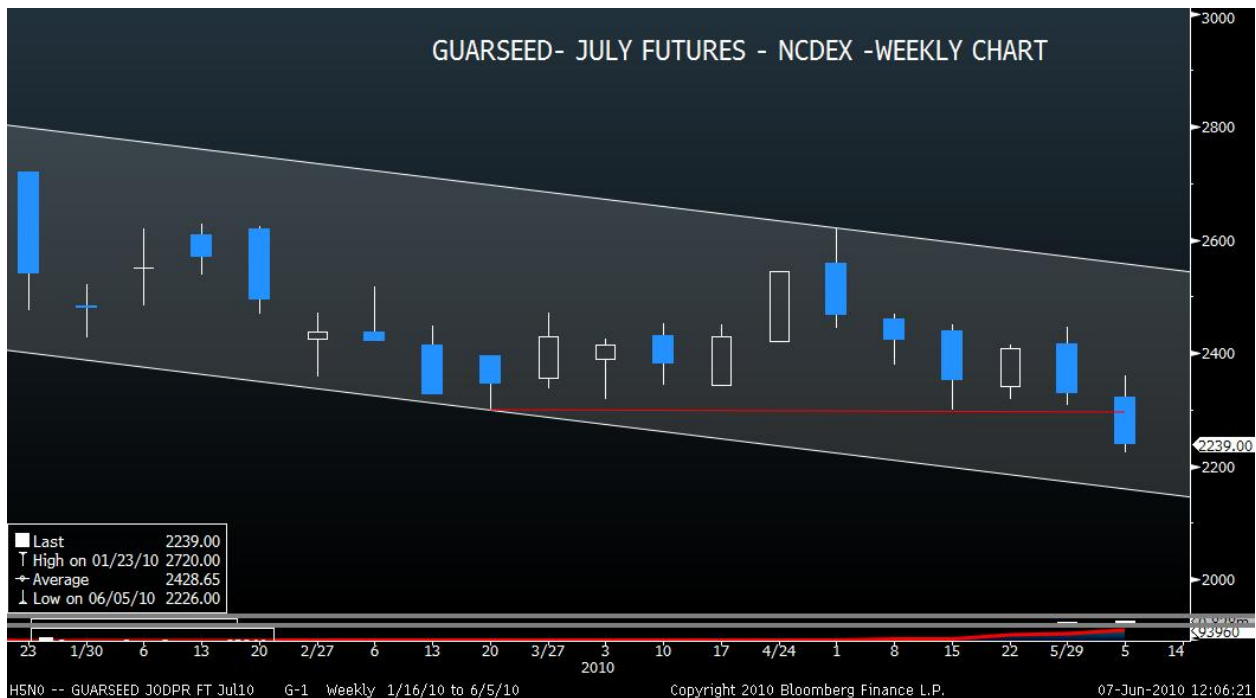
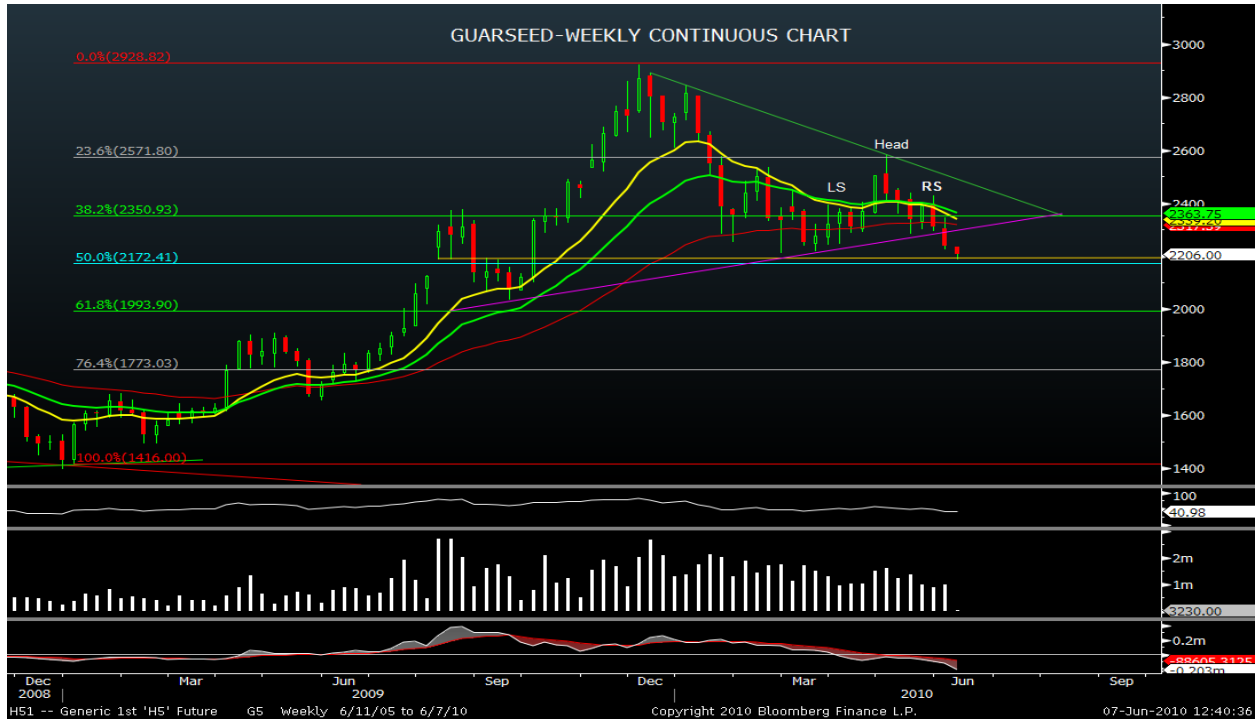
1. According to trade sources, key guar seed growing districts such as Jodhpur, Bikaner, Barmer etc are receiving good amount of rainfall
2. With the rainfall activity, the sowing activity will gear up in the region
3. The spot price of guar seed is quoting at Rs.2137 per quintal against Rs.2303 per quintal last week while gum is quoting at Rs.4683 per quintal Vs. Rs.4980 per quintal last week
4. According to IMD, conditions are becoming favourable for progress of monsoon towards northern part of the country
5. However, in medium-to-long term prices may trade on a positive note due to supply crunch till commencement of new harvesting season in October
6. The NCDEX warehouses are having a stock of 10,841 tonnes as on 4th June 2010

Technical analysis

Guar seed June futures prices plummeted as much as 3.55% W/W (from 2312 to 2230 levels). After making a high of 2344 the market closed at 2230 levels. Market has broken a crucial support at 2288 of **trianglur pattern** and is suggesting a bearish sentiment may continue in near-term. The rise in volume is also confirming the break-out of the pattern (976320 tonnes Vs. 895020 tonnes). Moreover, the **Head and Shoulder Pattern** in weekly chart is also supporting the same view. However, the market is holding a crucial retracement support at 2172 (50% of 1416 to 2928 moves), if it breaks and sustain below the same may lead prices to test 2130 then 2040 levels. Furthermore, the RSI is trading at 0.40 suggesting a bearish view. Likewise, on July contract market is moving in a descending

trend channel and has broken a crucial support at 2297 suggesting market may test 2169 levels (bottom of trend channel). **We expect market to trade lower and recommend selling at pullbacks.**

Short Term levels: Supports: 2170, 2040 Resistances: 2248, 2350



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